



*In the first half of the 1900s, hydroelectric development of the Sierra's rivers grew to include many dams and powerhouses. Water drops more than 2,560 feet to power generating turbines at the Bucks Creek Powerhouse on the Feather River.*

## SPECIAL TAXES

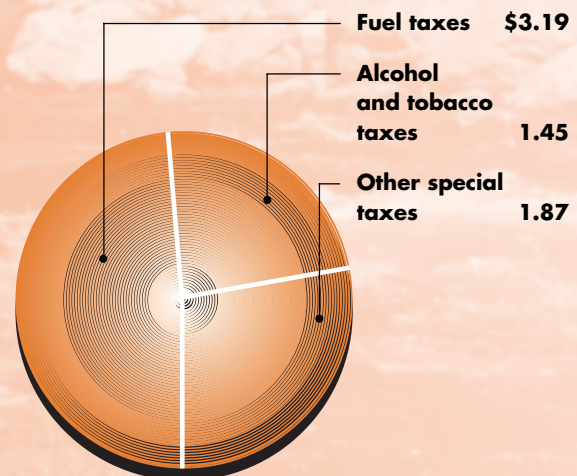
In 2000-01, the Board administered 18 special tax and fee programs that encompass a broad range of activities and transactions. The oldest of these is the insurance tax, established in 1911. The newest program is the natural gas surcharge, which went into effect on January 1, 2001. Revenues from the insurance tax and alcoholic beverage tax and a portion of cigarette tax receipts are allocated to the state's General Fund. Other special taxes program revenues fund specific state services, from transportation infrastructure to environmental protection. The Board administers several programs in cooperation with other state agencies.

### Revenues

Revenues collected for all special taxes programs totaled \$6.51 billion in 2000-01. Fuel taxes totaled \$3.19 billion, while alcohol and tobacco taxes totaled \$1.45 billion. Revenue information for each

#### 2000-01 Special Taxes Revenues

*Billions of Dollars*



program is found in the next section of this chapter and in the [foldout chart](#) inside the back cover of this report. While revenues from the insurance tax, collected by the State Controller's Office, are included in the total special taxes revenue figure on the previous page, they are not included in the total Board revenue figures found elsewhere in this report.



*Tiger Creek Dam, N. Fork Mokelumne River*

## Programs

This section includes information regarding program revenue, significant program highlights, changes for the fiscal year, and the number of registrants for each program. More detailed information regarding the individual programs is found in the foldout tax chart inside the back cover of this report. The chart includes information on what is taxed, who pays, tax and fee rates, year-to-year revenue changes, and how tax revenues from each program are used on behalf of California's citizens.

### Motor Vehicle Fuel License Tax

In 2000-01, motor vehicle fuel license tax collections totaled \$2.70 billion, based on the distribution of 14.87 billion gallons of gasoline. There were 433 businesses registered for the program at the end of the fiscal year.

**Aircraft jet fuel tax.** Aircraft jet fuel tax collections for the year totaled \$2.73 million, based on the distribution of 133.2 million gallons of jet fuel. As of June 30, 2001, 193 jet fuel dealers were registered with the Board.

### Diesel and Use Fuel Taxes

Combined revenues from diesel and use fuel taxes totaled \$487.78 million for 2000-01, including \$62.50 million from the interstate user tax.

**Diesel fuel tax.** As of June 30, 2001, there were 33,033 businesses and individuals registered for the diesel fuel tax program. Most are registered for fuel tracking or refund purposes. One hundred and one diesel fuel suppliers paid more than 98 percent of the 2000-01 diesel fuel tax receipts.

**Interstate user tax.** Most interstate motor carriers who travel on California highways pay the state's

interstate user tax through the International Fuel Tax Agreement (IFTA), a compact among 48 states and 10 Canadian provinces. The vast majority of IFTA revenue comes from diesel fuel use. California-based IFTA licensees numbered 11,774 at the end of the fiscal year. Carriers who travel only between California and Mexico also pay the interstate user tax. There were 1,133 of these nonIFTA carriers registered as of June 30, 2001.

**Use fuel tax.** At the end of the fiscal year, 1,524 alternative fuel users and 241 fuel vendors were registered with the Board.

### **Oil Spill Response, Prevention, and Administration Fees**

**Oil spill response fee.** Oil spill response fees have not been collected since 1991-92, the year the Oil Spill Response Trust Fund reached its \$50 million maximum level. Forty-three feepayers were registered at the end of 2000-01. The Board administers the fee in cooperation with the Department of Fish and Game.

#### **Oil spill prevention and administration fee.**

Revenues collected in 2000-01 totaled \$21.26 million. Fiscal year-end registration listed 37 feepayers.

### **Underground Storage Tank Fee**

Revenues totaled \$184.22 million in 2000-01. As of June 30, 2001, 6,806 feepayers were registered for this program, which the Board administers in cooperation with the Water Resources Control Board.

### **Childhood Lead Poisoning Prevention Fee**

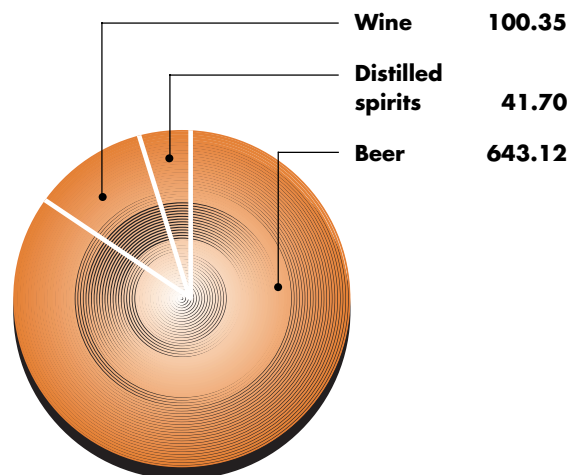
Fee collections totaled \$11.72 million. At the end of the 2000-01 fiscal year, 1,259 feepayers were registered with the Board. The Board works with the Department of Health Services in administering this program.

### **Alcoholic Beverage Tax**

In 2000-01, revenues from this excise tax totaled \$288.45 million, a 2.23 percent increase from 1999-00. Program registrants numbered 2,730 at the end of the fiscal year.

#### **2000-01 Alcoholic Beverage Apparent Consumption**

*Millions of Gallons*



### **Cigarette and Tobacco Products Tax**

Combined revenues for 2000-01 totaled \$1.16 billion, including \$1.11 billion from cigarettes and \$52.83 million from other tobacco products. At the end of June 2001, 1,904 taxpayers held permits under this program. (This registration figure does not include California cigarette or tobacco product consumers who are required to pay tax on their out-of-state [Internet or mail order] purchases but not to hold permits on an ongoing basis—see “Cigarette Tax Compliance,” [page 43](#).) Apparent consumption data is found in Appendix Table 30B, on [page A-41](#).

**Emergency Telephone Users Surcharge**

Total revenues for 2000-01 were \$121.64 million. As of June 30, 2001, 559 telephone service suppliers and 3 consumers were registered with the Board.

**Energy Resources Surcharge**

Revenues totaled \$47.93 million in 2000-01, an increase of 0.33 percent from 1999-00. At the end of the fiscal year, program registrants included 112 electric utilities and 25 public institutions, water districts, and irrigation districts.

**Insurance Tax**

Revenue from this tax, levied against insurance companies in lieu of most other California taxes, totaled \$1.32 billion for year 2000 business. As of June 30, 2001, 1,861 insurance companies were registered to pay the tax. The Board, the State Controller's Office, and the Department of Insurance share administrative responsibilities.

**California Tire Fee**

Revenues for this fee, formerly known as the tire recycling fee, totaled \$14.66 million in 2000-01. At fiscal year end, 11,226 businesses were registered for the program, which the Board administers in cooperation with the Integrated Waste Management Board.

**Integrated Waste Management Fee**

For 2000-01, revenues totaled \$50.28 million. As of June 30, 2001, 200 facilities were registered for the fee. The Board and the Integrated Waste Management Board jointly administer the fee.

**Natural Gas Surcharge**

Revenue for this new program, which went into effect on January 1, 2001, totaled \$30.51 million for January through June 2001. Program registration as of June 30, 2001, totaled 7 gas utility companies and 12 consumers who purchase gas through interstate pipelines.

**Hazardous Substances Tax**

The Board administers five hazardous waste fee programs in cooperation with the Department of Toxic Substances Control. Fee revenues for 2000-01 and the number of businesses registered at the end of the fiscal year are shown below.

**Activity fees.** Revenue: \$350,000. Entities pay the fees based on permit applications and modifications and other applications. They are not required to be registered with the Board on an ongoing basis.

**Disposal fee.** Revenue: \$5.43 million; registered facilities: 12.

**Environmental fee.** Revenue: \$30.72 million; registered corporations: 46,640.

**Facility fee.** Revenue: \$3.38 million, including tiered permit fees for facilities that handle small quantities of waste; program registrants: 141 facilities and 205 tiered permit facilities.

**Generator fee.** Revenue: \$18.82 million; registrants: 7,249 fee payers with a total of 20,568 sites in the state.

**Occupational Lead Poisoning Prevention Fee**

Total revenues for 2000-01 were \$2.82 million. At the end of the fiscal year, registration totaled 18,053 businesses. The Board works with the Department of Health Services in administering this fee program.

### **Ballast Water Management Fee**

Revenue for this program, administered in conjunction with the State Lands Commission, totaled \$2.62 million for 2000-01. Registration totaled 1,275 as of June 30, 2001.

### **Operations**

Staff in the Board's Excise Taxes, Fuel Taxes, and Environmental Fees divisions, located in the agency's Sacramento headquarters office, provide direct assistance to the businesses that pay special taxes and fees. The Board processed more than 248,500 special taxes program returns during the 2000-01 fiscal year, including 73,936 environmental fees returns, 82,292 excise tax returns, and 92,278 fuel tax returns.

As of January 1, 2001, certain feepayers were required to make their payments by electronic funds transfer (see "Mandatory EFT Payments," [next page](#)). The Board made the EFT option available to all special taxes accounts as of February 2001.

### **Audits**

Staff in the Excise Taxes, Fuel Taxes, and Environmental Fees divisions have the primary responsibility for auditing special tax program accounts. This year, special tax program audits yielded more than \$29.6 million in net tax deficiencies. The audit staff identified more than \$7.4 million in refunds due.

### **Compliance Activities**

Special Taxes Department staff ensure proper registering and licensing of businesses, assist taxpayers in interpreting tax and fee laws and regulations, and provide help with tax and fee

returns. Compliance staff also collect delinquent tax and fee payments. Suspected tax evasion or fraud cases are referred to the agency's Investigations Division.

### *Fuel Tax Compliance*

Board staff at California Highway Patrol (CHP) Truck Inspection Facilities work to enforce the state's fuel tax laws. They ensure that motor carriers traveling into California without current fuel tax licenses or fuel trip permits are brought into compliance before they travel on the state's highways. Staff assess penalties for noncompliance and collect outstanding tax liabilities. In addition, Board personnel at the CHP inspection facilities identify goods and equipment being shipped into California that may be subject to sales or use tax.

### *Cigarette Tax Compliance*

In response to complaints from California cigarette distributors and a loss of tax revenue, the Board began a program in 1999 to identify out-of-state sellers who sell and ship cigarettes to California consumers, who are liable for the excise and use taxes on their purchases. Staff contacted out-of-state sellers and advised them of their reporting requirements under the federal Jenkins Act (15 U.S.C., secs. 375-377). While the Jenkins Act requires persons who sell or transfer cigarettes in interstate commerce to provide the Board with information on their California customers, including purchase information, fewer than 10 percent of the 193 sellers contacted had complied with Board requests as of June 2001.

The Board has used the information obtained from out-of-state sellers to contact and collect tax from California purchasers. From October 1999 through

March 31, 2001, the Board registered more than 16,700 consumers, processed more than 36,700 purchase transactions, mailed out more than 40,500 returns, and collected more than \$1.7 million in tax, including use tax totaling \$81,163. Board staff are continuing their efforts to locate out-of-state sellers and inform them of their reporting responsibilities and to collect the applicable excise and use taxes from their California customers.

## Appeals

Those who disagree with special taxes program audit results or other Board decisions regarding the application of a tax or fee may seek resolution through the Board's administrative appeals process. For details on 2000-01 appeals, see the "Appeals" chapter, which begins on [page 49](#).

The agency offers an administrative settlement program as an alternative method of tax and fee dispute resolution. In 2000-01, the Board approved 12 special taxes or fee settlements. The total settlement amount was \$356,000. Board staff reduced the case processing time for most settlements to six months.

## Court Decisions

There were no significant special taxes program court decisions in 2000-01.

## Legislation

### New Natural Gas Surcharge

Establishes a surcharge on all natural gas consumed in this state by customers of Federal Energy Regulatory Commission-regulated utilities, to fund low-income assistance programs, cost-effective

energy efficiency and conservation activities, and public-interest research and development. Natural gas prices for current customers of Public Utilities Commission-regulated utilities already reflect these public policy program costs.

*Assembly Bill 1002, Chapter 932, Statutes of 2000; effective January 1, 2001*

### Collection Point of Gasoline Tax

Repeals the Motor Vehicle Fuel License Tax Law and adopts the Motor Vehicle Fuel Tax Law to conform to the state Diesel Fuel Tax Law and Federal Fuel Tax Law by moving the collection point of the tax from the first distribution to removal from the refinery or terminal rack or importation into the state.

*Assembly Bill 2114, Chapter 1053, Statutes of 2000; effective January 1, 2001, and operative January 1, 2002*

### Authorization to Collect Ballast Water Management Fee

Provides fee collection and other administrative provisions that enable the Board to properly administer the ballast water management fee.

*Assembly Bill 2380, Chapter 110, Statutes of 2000; effective July 10, 2000*

### Mandatory EFT Payments

Among other things, this Board-sponsored bill requires certain special taxes program registrants whose estimated liability averages at least \$20,000 per month to pay taxes or fees by electronic funds transfer.

*Assembly Bill 2894, Chapter 923, Statutes of 2000; effective January 1, 2001*

### Additions to California Taxpayers' Bill of Rights

This bill

- Authorizes the Board to establish criteria to more efficiently provide relief of the late payment penalty.
- Provides relief to a taxpayer whose employer withheld delinquent taxes or fees from the taxpayer's pay but failed to remit the amounts to the Board.
- Provides relief of the 10 percent penalty for late payment when the taxpayer enters into and successfully complies with an installment payment agreement.
- Makes it a misdemeanor for a tax preparer to disclose confidential taxpayer information.
- Changes the effective date for reimbursing fees and expenses to allow taxpayers to claim reimbursement from the issuance date of a notice of determination, jeopardy determination, or denial of claim for refund.
- Suspends the statute of limitations on filing refund claims when the taxpayer is disabled.
- Requires the Board to provide annual statements summarizing payment and liability information to taxpayers who have entered into installment payment agreements.

*Assembly Bill 2898, Chapter 1052, Statutes of 2000; effective January 1, 2001*

### Sales of Distilled Spirits to Military Bases

Exempts from the excise tax certain sales of distilled spirits by brandy manufacturers, distilled spirits manufacturers, rectifiers, importers, and wholesalers. The sales are exempt when made to a California exchange, officers' club, noncommissioned officers' club, or enlisted men's club or mess that is orga-



*After World War II, power plants fueled by oil and natural gas began to dominate power production in the state. Morro Bay Power Plant.*

nized under the Army, Air Force, Navy, Marine Corps, or Coast Guard.

*Senate Bill 607, Chapter 609, Statutes of 2000; effective September 24, 2000*

### California Tire Fee

Among other things, requires every person who purchases a new tire from a retail seller of new tires to pay a fee of \$1.00 per tire until December 31, 2006, and \$0.75 per tire after that date. The measure also expands the definition of new "tire" to include a new tire sold with a new or used motor vehicle, including the spare.

*Senate Bill 876, Chapter 838, Statutes of 2000; effective January 1, 2001*

## Regulations

### OIL SPILL RESPONSE, PREVENTION, AND ADMINISTRATION FEE

#### Definitions of "Petroleum Products," "Barrel of Crude Oil," and "Barrel of Petroleum Products"

Regulation 2240, *Petroleum Products*, was added to explain that the statutory reference to "atmospheric temperature and pressure" is intended to refer to "standard conditions of temperature and pressure" under which petroleum products are liquid. The regulation lists examples of products that are petroleum products (including fuels that are not used to propel a vehicle) and identifies products that are not petroleum products.

Regulation 2241 adds a definition of "barrel of crude oil" and Regulation 2242 adds a definition of "barrel of petroleum products." Both definitions exclude sediment and water.

*Title 18, California Code of Regulations, sections 2240, 2241 and 2242; effective July 6, 2001*

#### Relief of Liability

Regulation 2250 was added to clarify what constitutes reliance on written Board advice for purposes of granting relief from liability for tax.

*Title 18, California Code of Regulations, section 2250; effective July 6, 2001*

#### Records

Regulation 2255 was added to describe the records that a feepayer must maintain to support reported fees and the retention period for those records. The regulation informs fee payers that failure to maintain and keep accurate records may result in penalties or other administrative action.

*Title 18, California Code of Regulations, section 2255; effective July 6, 2001*



*Geothermal power production began in the 1960s, made possible by California's unique geology. The Geysers, near Calistoga.*

### EMERGENCY TELEPHONE USERS SURCHARGE

#### Prepaid Telephone Calling Cards; and Relief from Liability for Reliance on Written Advice

Regulation 2401 was amended to expand the definition of service supplier to include the person that provides access to its lines and switches and is responsible for deducting the amounts charged for intrastate telephone communication services from a prepaid telephone calling card. In addition, the regulation was amended to add a definition of "prepaid telephone calling card."

Regulation 2403 was added to clarify that the 911 surcharge applies to amounts paid for intrastate telephone communication services, including amounts deducted from a prepaid telephone calling card.

Regulation 2432 was added to clarify what constitutes reliance on written Board advice for purposes of granting relief from liability for tax.

*Title 18, California Code of Regulations, sections 2401, 2403, and 2432; effective November 1, 2000*

#### **UNDERGROUND STORAGE TANK MAINTENANCE FEE**

##### **Fee Payer; Rebuttable Presumption**

Regulation 1205, *Fee Payer; Rebuttable Presumption*, was adopted to clarify that there is a rebuttable

presumption that the owner of real property is the owner of an underground storage tank located there, even if the property is leased to another person. The regulation also describes the type of evidence that may be used to rebut this presumption.

*Title 18, California Code of Regulations, section 1205; effective February 8, 2001*